

State Fair of Louisiana

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

State Fair of Louisiana

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Years Ended December 31, 2013 and 2012

State Fair of Louisiana

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Independent Auditor's Report

The Executive Committee
State Fair of Louisiana
Shreveport, Louisiana

I have audited the accompanying financial statements of State Fair of Louisiana, which comprise the statements of financial position for the years ended December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and summary of significant accounting policies and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Fair of Louisiana as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated April 23, 2014, on my consideration of State Fair of Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

Jane K. McChesney, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
April 23, 2014

<i>December 31,</i>	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Assets						
Current assets:						
Cash (Notes 1 and 7)	\$ 561,574	\$ -	\$ 561,574	\$ 936,835	\$ -	\$ 936,835
Short-term investments (Note 5)	200,000	-	200,000	200,000	-	200,000
Accounts receivable	200,363	-	200,363	93,590	-	93,590
Prepaid expenses and other	79,541	-	79,541	60,433	-	60,433
Total current assets	1,041,478	-	1,041,478	1,290,858	-	1,290,858
Property and equipment, net (Note 2)	1,699,417	-	1,699,417	1,817,009	-	1,817,009
Reserve fund investments (Notes 4 and 5)	-	700,000	700,000	-	700,000	700,000
	\$2,740,895	\$700,000	\$3,440,895	\$3,107,867	\$700,000	\$3,807,867

State Fair of Louisiana

Statements of Financial Position

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	\$ 154,208	\$ -	\$ 154,208	\$ 149,384	\$ -	\$ 149,384
Current portion of accrued pension liability (Note 3)	-	-	-	138,000	-	138,000
Deferred income	110,700	-	110,700	128,206	-	128,206
Total liabilities - all current	264,908	-	264,908	415,590	-	415,590
Commitments and contingencies						
(Note 6)						
Net Assets:						
Unrestricted	2,475,987	-	2,475,987	2,692,277	-	2,692,277
Temporarily restricted (Note 4)	-	700,000	700,000	-	700,000	700,000
Total net assets	2,475,987	700,000	3,175,987	2,692,277	700,000	3,392,277
	\$2,740,895	\$700,000	\$3,440,895	\$3,107,867	\$700,000	\$3,807,867

See accompanying summary of accounting policies and notes to financial statements.

State Fair of Louisiana

Statements of Activities

Years Ended December 31,	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Fair	\$2,527,438	\$ -	\$2,527,438	\$2,484,034	\$ -	\$2,484,034
Off-season	569,323	-	569,323	777,238	-	777,238
Investment income	11,614	-	11,614	15,374	-	15,374
Other	4,221	-	4,221	99	-	99
Total revenue	3,112,596	-	3,112,596	3,276,745	-	3,276,745
Expenses:						
Fair	1,766,404	-	1,766,404	1,724,263	-	1,724,263
Off-season	1,409,779	-	1,409,779	1,554,191	-	1,554,191
Depreciation and Amortization	196,053	-	196,053	213,125	-	213,125
Total expenses	3,372,236	-	3,372,236	3,491,579	-	3,491,579
(Decrease) in net assets from operating activities	(259,640)	-	(259,640)	(214,834)	-	(214,834)
Pension-related changes other than net periodic pension cost	43,350	-	43,350	149,000	-	149,000
(Decrease) in net assets	(216,290)	-	(216,290)	(65,834)	-	(65,834)
Net assets, beginning of year	2,692,277	700,000	3,392,277	2,758,111	700,000	3,458,111
Net assets, end of year	\$2,475,987	\$700,000	\$3,175,987	\$2,692,277	\$700,000	\$3,392,277

See accompanying summary of accounting policies and notes to financial statements.

State Fair of Louisiana

Statements of Cash Flows

Years Ended December 31,	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Cash Flows From Operating Activities:						
(Decrease) in net assets	\$ (216,290)	\$ -	\$ (216,290)	\$ (214,834)	\$ -	\$ (214,834)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:						
Depreciation and amortization	196,053	-	196,053	213,125	-	213,125
Provision for doubtful accounts	-	-	-	(7,121)	-	(7,121)
Noncash change in pension liability	(43,350)	-	(43,350)	(22,000)	-	(22,000)
Change in operating assets and liabilities:						
Accounts receivable	(106,773)	-	(106,773)	(11,008)	-	(11,008)
Prepaid expenses and other	(19,108)	-	(19,108)	(18,363)	-	(18,363)
Accounts payable and accrued expenses	4,824	-	4,824	41,218	-	41,218
Pension liability	(94,650)	-	(94,650)			
Deferred income	(17,506)	-	(17,506)	89,056	-	89,056
Net cash provided (used) by operating activities	(296,800)	-	(296,800)	70,073	-	70,073
Cash Flows From Investing Activities:						
Expenditures for buildings equipment and improvements	(78,461)	-	(78,461)	-	-	-
Proceeds from redemption of investments	-	-	-	106,192		106,192
Net cash provided (used) by investing activities	(78,461)	-	(78,461)	106,192	-	106,192
Net increase (decrease) in cash	(375,261)	-	(375,261)	176,265	-	176,265
Cash, at beginning of year	936,835	-	936,835	760,570	-	760,570
Cash, at end of year	\$ 561,574	\$ -	\$ 561,574	\$ 936,835	\$ -	\$ 936,835

See accompanying summary of accounting policies and notes to financial statements.

State Fair of Louisiana

Summary of Accounting Policies

Business

The State Fair of Louisiana (the Fair) is a nonprofit corporation organized under the laws of the State of Louisiana on a nonstock basis having one class of member. The objects and purposes for which this nonprofit corporation is formed and exists are declared to be the maintenance in the Parish of Caddo, State of Louisiana, of public fairs, expositions and exhibitions of stock and farm products, and for the encouragement of agricultural and horticultural pursuits, and in all ways to promote the various industries of the State of Louisiana and the welfare of its citizens.

Substantially all of the Fair's revenue is from the sale of admissions to Fair sponsored events and exhibitions as well as the rental of its buildings for events promoted by others. Accordingly, the Fair is heavily dependent on the local community and the health of the local economy in which it operates.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the depreciable life of assets and the pension liability.

Property and Equipment

Buildings and equipment are carried at cost and depreciated over their estimated useful lives on the straight-line method. Major additions are capitalized and depreciated; maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred.

Reserve Fund

As provided by contract with the City of Shreveport, one-half of the net earnings of the State Fair of Louisiana shall be set aside permanently in a Reserve Fund. This allocation is to continue until the Reserve Fund shall equal \$700,000. Any sums transferred, which raise the balance above this amount, shall be used for property improvements.

State Fair of Louisiana

Summary of Accounting Policies

(Continued)

Revenue Recognition

Unrestricted contributions and grants are recognized as revenue in the period in which the donation is received or the grant is due and payable to the Fair.

The Fair reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The net change in assets of other funds are reported as offsetting revenue (expense) solely to simplify financial statement presentation. Restricted donations on which the restriction expires in the same period as the revenue is recognized are reported as unrestricted revenues.

Allowance for Doubtful Accounts

The Fair records an allowance for doubtful accounts based on specifically identified amounts believed to be uncollectible. The Fair has a limited number of customers with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' credit worthiness or other matters affecting collectability of amounts due from such customers could have a material effect on the Fair's results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. At December 31, 2013 and 2012, the allowance for bad doubtful accounts totaled \$550 and \$550 respectively.

Income Taxes

The State Fair of Louisiana is exempt from federal income tax under provisions of Section 501(c)(5) of the Internal Revenue Code of 1986 and exempt from state income tax under appropriate provisions in the laws of the State of Louisiana.

The Fair has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Fair's tax positions and concluded that the Fair has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740. In addition, Management is not aware of any matters that would cause the Fair to lose its tax-exempt status.

State Fair of Louisiana

Summary of Accounting Policies (Concluded)

**Statements of
Cash Flows**

For purposes of the statements of cash flows, the Fair considers all cash in bank accounts and highly liquid debt instruments, not associated with the Reserve Fund, with an original or remaining maturity of three months or less, to be cash equivalents. Highly liquid debt instruments with remaining lives in excess of three months are classified as short-term investments.

Advertising

The Fair expenses advertising as it is incurred. The Fair expended approximately \$219,781 and \$187,639 in the years ended December 31, 2013 and 2012, respectively, for advertising.

Subsequent Events

Management evaluated events subsequent to the Fair's most recent year end through April 23, 2014, the date the financial statements were available for issuance.

State Fair of Louisiana

Notes to Financial Statements

1. Cash Included in cash at December 31, 2013 and 2012 are interest bearing deposits totaling \$595,802 and \$954,167, respectively.

2. Property and Equipment Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings - 15 to 60 years; land improvements - 10 to 75 years; equipment - 5 to 20 years.

The major classifications of property and equipment for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Buildings	\$ 6,473,729	\$ 6,424,569
Equipment	2,738,289	2,738,289
Land improvements	1,467,028	1,452,728
Website	15,000	-
Land	14,500	14,500
	10,708,546	10,630,086
Less accumulated depreciation and amortization	9,009,129	8,813,077
Net property and equipment	\$ 1,699,417	\$ 1,817,009

3. Pension Plan **Defined Benefit Plan**

Through April 30, 2013, the Fair sponsored a defined benefit pension plan that covered all employees who had reached the age of 21 and completed 1,000 hours of employment during their initial 12 months of employment. The plan called for benefits to be paid to eligible employees at retirement, based primarily upon years of service with the Fair and compensation rates near retirement. Contributions to the plan reflected benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of mutual funds and money market accounts.

State Fair of Louisiana

Notes to Financial Statements (Continued)

3. Pension Plan - (continued)

The following provides a summary of the plan's funded status and amounts recognized in the Fair's financial statements at December 31, 2012:

	2012
Changes in benefit obligation:	
Benefit obligation at beginning of year	\$ 923,000
Service cost	-
Interest cost	39,000
Actuarial loss	(83,000)
Benefits paid	(27,000)
Benefit obligation at end of year	852,000
Changes in plan assets:	
Fair value of plan assets at beginning of year	614,000
Actual return on plan assets	81,000
Employer contributions	46,000
Benefits paid	(27,000)
Fair value of plan assets at end of year	714,000
Funded status	\$(138,000)

(Continued)

State Fair of Louisiana

Notes to Financial Statements (Continued)

3. Pension Plan – (continued)

Items not yet recognized as a component of net periodic benefits cost which are reported as Accumulated Other Comprehensive Income as a component of fund balance are as follows:

	2012
Net actuarial loss	\$166,000
Total	\$166,000

The accumulated benefit obligation for the pension plan was \$852,000 as of December 31, 2012.

Weighted-average assumptions used to determine benefit obligations at December 31:

	2012
Discount rate	4.00%
Expected long-term return on plan assets	4.00%
Rate of compensation increase	0.00%

Plan Assets

Pension Plan weighted-average asset allocations at December 31, 2012 by asset category area as follows:

	2012
Equity securities	39.70%
Debt securities	53.07%
Cash & other	7.23%
Total	100.00%

(Continued)

State Fair of Louisiana

Notes to Financial Statements (Continued)

3. Pension Plan – (continued)

On February 15, 2012, the Fair froze the Plan effective April 30, 2012 and finalized its termination in July 2013. During 2013, the Fair contributed \$94,650 to fully fund accrued vested benefits payable beneficiaries of the plan. In July 2013, the Fair purchased an annuity for \$302,262 to fund retirement benefits for one participant and distributed the remainder of plan assets, equal to the accrued vested benefit, to the remaining participants.

As a result of the termination of the plan, the Fair recognized a net gain of \$43,350.

401(k) Plan

Effective January 1, 2013, the Fair established a qualified, contributory 401(k) plan ("Plan") for all eligible employees. Eligible employees can contribute up to 90% of gross compensation, subject to such maximum annual amounts as may be allowed under the Internal Revenue Code, into the Plan. For each Safe Harbor Participant, as defined, the Fair contributes 3% of compensation. Also, the Fair may contribute a discretionary amount as determined annually by the Executive Committee. No such contributions were made in 2013 or 2012. The total of the matching contributions made by the Fair in 2013 and 2012 were \$9,309 and \$11,004, respectively.

4. Reserve Fund

An agreement between State Fair of Louisiana and the City of Shreveport dated May 15, 1986, provides for the establishment of a Reserve Fund or Contingency Fund to provide for possible future losses and to maintain permanently, a sound financial condition of the State Fair of Louisiana. Any expenditure which reduces the fund below \$700,000 must be authorized by the Board of Directors and only for the purpose of covering incurred losses or for other emergency purposes.

State Fair of Louisiana

Notes to Financial Statements (Continued)

5. Investments

Investments are as follows at December 31, 2013 and 2012:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<u>December 31, 2013</u>				
Short-term investments -				
Certificates of deposit	\$200,000	\$ -	\$ -	\$200,000
Reserve fund investments -				
Certificates of deposit	\$700,000	\$ -	\$ -	\$700,000

December 31, 2012

Short-term investments -				
Certificates of deposit	\$200,000	\$ -	\$ -	\$200,000
Reserve fund investments -				
Certificates of deposit	\$700,000	\$ -	\$ -	\$700,000

All investments are invested in bank certificates of deposit. Total depository insurance coverage of these certificates of deposits is \$900,000.

The following summarizes investment return and its classification in the financial statements:

	2013	2012
Interest and dividend income	\$11,614	\$15,374
	\$11,614	\$15,374

State Fair of Louisiana

Notes to Financial Statements (Continued)

6. Commitments and Contingencies

From time to time, in the normal course of business, the Fair is involved in various matters of litigation. Management does not believe the ultimate outcome of any such matters will be material to the financial statements of the Fair.

An attendee at the 2011 State Fair of Louisiana was injured on a ride operated by Lowrey Carnival Company. Subsequently, the Fair was named as a defendant in an action in the First Judicial District Court, Caddo Parish, Louisiana (the "Case"). On May 30, 2013, the Court dismissed claims against the Fair for "vicarious liability of the State Fair for the actions of Lowrey Carnival Company" but ordered that all other claims against the Fair remain pending. A motion is pending to dismiss all other claims against the Fair.

The Fair is being represented by its insurance company in the Case and management expects that the Fair will ultimately prevail in this matter.

7. Supplemental Cash Flows Information

At December 31, 2013, cash includes approximately \$288,000 in demand deposits that exceed Federal depository insurance limits.

8. Fair Value Disclosures

The Fair utilizes fair value measurements to record certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of further cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

State Fair of Louisiana

Notes to Financial Statements (Continued)

8. Fair Value Disclosures – (continued)

FASB Accounting Standards Codification Topic 820, *Fair Value Measurements*, establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Fair has the ability to access.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

Fair Value Measurements at Reporting Date Using

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>December 31, 2013</u>			
Long-term investments –			
Certificates of deposit	\$ 700,000	\$ -	\$ 700,000
Cash –			
Certificate of Deposit	100,181	-	100,181
Short-term investments –			
Certificates of deposit	200,000	-	200,000
	<u>\$1,000,181</u>	<u>\$ -</u>	<u>\$1,000,181</u>

State Fair of Louisiana

Notes to Financial Statements (Concluded)

8. Fair Value Disclosures – (continued)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>December 31, 2012</u>			
Long-term investments –			
Certificates of deposit	\$ 700,000	\$ -	\$ 700,000
Cash –			
Certificate of Deposit	100,181	-	100,181
Short-term investments –			
Certificates of deposit	200,000	-	200,000
Total	\$1,000,181	\$ -	\$1,000,181

Fair values for certificates of deposit are determined by reference to quoted market prices of similar deposits and other relevant information generated by market transactions.

9. Building Lease

On November 13, 2013, the Fair entered into a one-year agreement for the lease of a building with an aggregate cost of \$2,498,000 and carrying value of zero. Among other things, the lease calls for minimum monthly rentals of \$10,000. Additionally, the lessee will receive credit for approved repairs and improvements up to a maximum of \$7,500 per month and the Fair will pay the first \$2,000 of utilities each month. At December 31, 2013, the remaining minimum rentals under the lease were \$110,000 for the year ending December 31, 2014; however, management believes that total repair and improvement costs incurred by the lessee exceed \$150,000 and, therefore, the net monthly rental will approximate \$2,500 per month, excluding any credits offered for those times when the lessee does not have access to the building, such as during the annual fair.

9. Related Party Transaction

The president of the Fair's main depository institution is also a member of the Fair's board of directors.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Executive Committee
State Fair of Louisiana
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State Fair of Louisiana (the "Fair"), as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued my report thereon dated April 23, 2014.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Fair's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control. Accordingly, I do not express an opinion on the effectiveness of the Fair's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

PURPOSE OF REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fair's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fair's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

James R. McChesney, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
April 23, 2014

**State Fair of Louisiana
Schedule of Findings
For the Year Ended December 31, 2013**

Summary of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of the State Fair of Louisiana.
2. No material weaknesses in internal control were disclosed during the examination of the financial statements.
3. No instances of noncompliance material to the financial statements of the State Fair of Louisiana were disclosed during the examination.
4. A separate management letter was issued to the State Fair of Louisiana.
5. No illegal acts were noted.

**State Fair of Louisiana
Schedule of Prior Year Findings
For the Year Ended December 31, 2012**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action/Partial Corrective Action Taken
None				

June 11, 2014

Executive Committee
State Fair of Louisiana
3701 Hudson Street
Shreveport, Louisiana 71109

Ladies and Gentlemen:

During the course of my audit of the Fair's financial statements for the year ended December 31, 2013, I observed the Fair's significant accounting policies and procedures and certain business, financial, tax, and administrative practices. As a result of my observations, I suggest you consider the following:

Administrative 2013-01
The Fair standardize account coding to
enhance year-to-year comparison for
expense management.

During my audit, I noted that account coding from one year to the next is not consistent. For example, in 2012, carnival footage payments were posted to account 4320.300 while the same payments in 2013 were coded to 4031.300. The 2013 coding was correct. Generally, the coding variance does not affect information presented to the Executive Committee since the Committee receives information in a condensed format and the variances do not affect this presentation; however, lack of consistent coding hampers management's ability to compare operations between years.

I suggest management make a concerted effort to ensure that 2014 coding is consistent with that of prior years. If, in the course of recording 2014 transactions, management determines the coding for 2013 was not correct, management should ensure 2014 is correctly coded.

Management's Response – We agree with your findings and have already begun the process of ensuring consistent coding between periods for 2014.

Administrative 2013-02
The Fair should fully utilize its accounting
system to keep the books on an accrual basis.

Several years ago, the Fair changed its accounting policy for internal financial statements. In general, the change has been successful, but fully utilizing the accounts receivable and payable modules of the current system would allow the Fair to be better informed of its financial position and results of operations on a more current basis. This is especially true at month end. At present, it generally falls to the outside accountant to review subsequent transactions to ensure all payables and receivables have been recorded, typically by reviewing subsequent cash receipts and disbursements. Properly utilized, the current accounting system can be used to minimize the time required to finalize month-end reports.

I suggest that management record both revenue and expenditures on a full accrual basis as the transactions occur.

Management's Response – We agree with your findings and have already taken steps to more fully utilize the accounting system.

Administrative 2013-03
The Fair should establish a lost receipt form
for credit card expenditures.

Certain staff use corporate credit cards for business purposes. During my audit, I noted that there were times when a receipt was not attached to the credit card statement. This occurred often with purchases made over the internet. Although the business purpose of the expenditure was adequately recorded on the credit card statement, requiring the President to review and document business purpose on the statement is not the best use of his time.

I suggest the Fair establish a lost receipt form that can be used to document all necessary information when a transaction occurs. This would allow for maximum accuracy of coding, minimize the time of all concerned and keep the credit card statement clear of extraneous information.

Management's Response – We agree with your findings and have implemented use of lost receipt reports.

Administrative 2013-04
The Fair should consider adding a camera in
the Fair Bank.

Significant funds are handled by the Fair Bank (the "Bank") for the duration of the annual State Fair. As such, I observed the procedures employed in safeguarding the cash. During that observation, I noted that there is no video security in the Bank. Video surveillance can serve the dual purpose of capturing information regarding any criminal acts by third parties and, at the same time, limit the opportunity for employee dishonesty.

Accordingly, I suggest management consider installing a wireless camera in the Fair Bank, with a connection to a video and recording system at the main office.

Management's Response – We agree with your findings and, as finances permit, we will investigate installing a camera.

Administrative 2013-05
The Fair should consider converting to
QuickBooks.

The Fair presently uses BusinessWorks accounting software. At the time the program was implemented many years ago, there were not many **secure** alternatives. The program, while adequate, is sometimes cumbersome to use. Current alternatives, in particular QuickBooks, can now be set up to be as secure as Business Works and are also far easier to use and the reporting capability is also more robust.

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I suggest that management consider converting to QuickBooks. Should management decide to move to Quickbooks, it would be best to begin implementation as soon as possible.

Management's Response – We agree with your findings and, as finances permit, will investigate converting our system.

In planning and performing my audit of the financial statements of State Fair of Louisiana in accordance with auditing standards generally accepted in the United States of America, I considered the Fair's control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control. Accordingly, I do not express an opinion on the effectiveness of the Fair's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fair's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the second preceding paragraph would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

At your convenience, I am available to discuss the items contained in this letter or any other issues you may wish to discuss.

This communication is intended solely for the information and use of management, the board of directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

* * *

As usual, I appreciate the outstanding cooperation from your staff that my personnel received during the audit of the Fair's financial statements.

Very truly yours,



James K. McClelland, CPA
cc: Legislative Auditor of the State of Louisiana